

## The New Agricultural Trade Negotiations: Background and Issues for the U.S. Cotton Sector

*Stephen MacDonald*<sup>1</sup>

**Abstract:** New multilateral trade negotiations under the World Trade Organization (WTO) were initiated for agriculture in 2000. International trade is particularly important for cotton, since 30 percent of the world's consumption of cotton fiber crosses international borders before consumption by textile mills, and, through trade in yarn, fabric, and clothing, much of the world's cotton crosses international borders at least once more before reaching its final consumers. Traditionally, cotton's global import barriers have been low, and export subsidies have been largely negligible. Textile trade, however, has long been subject to government intervention across the world, indirectly affecting cotton. Furthermore, export restrictions by cotton-producing countries have been common in the past, as governments indirectly subsidize textile output by assuring their domestic textile industries of preferential access to locally produced cotton. Textile policies are an important concern of developing countries, and could receive further scrutiny in any future WTO round. Other WTO issues related to cotton trade include China's accession to the WTO, the accession of Central Asian cotton exporters such as Uzbekistan, the role of State Trading Enterprises (STE) in these and other countries, and domestic support for agriculture.

**Keywords:** Cotton, trade, policy, WTO, agriculture, textiles, tariffs.

### **Introduction**

International trade is particularly important for cotton, since 30 percent of the world's consumption of cotton fiber crosses international borders before consumption by textile mills: a larger role for trade than is the case for wheat, corn, soybeans, or rice. Furthermore, through trade in yarn, fabric, and clothing, much of the world's cotton crosses international borders at least once more before reaching its final consumers. Cotton exports are particularly important for the U.S. cotton industry, with about 40 percent of the U.S. cotton harvest exported during the 1990's.

New multilateral trade negotiations under the World Trade Organization (WTO) were initiated in 2000. During these negotiations, officials from WTO member countries will work to continue the process of reforming agricultural trade rules begun in the Uruguay Round, which concluded in 1994. The traditional prevalence of low tariffs and limited non-tariff barriers among major cotton importers limited the impact on cotton of the market access provisions of the Uruguay Round Agreement on Agriculture (URAA). However, the newfound importance of cotton-producing countries as importers means market access issues could grow in importance for cotton. While export subsidies for

cotton by WTO signatories have been negligible, government policies governing the role of State Trading Enterprises (STE) and support of local textile industries have affected cotton trade. While textiles trade rules are not a subject of the current negotiations, they are an important multilateral trade issue affecting cotton, and significant changes in textile import barriers are mandated by 2005 under the Uruguay Round's Agreement on Textiles and Clothing (ATC). Other WTO issues related to cotton trade include China's accession to the WTO, the accession of Central Asian cotton exporters such as Uzbekistan, the role of State Trading Enterprises (STE) in these and other countries, and domestic support for agriculture.

### **World Cotton Production, Consumption, and Trade**

The world's four largest cotton producing and consuming countries are China, the United States, India, and Pakistan. Together, these four account for around 60 percent of world production and consumption. The next three largest consuming countries are Turkey, Brazil, and Mexico, all of which produce cotton but are often large importers nonetheless. Cotton is mostly a Northern Hemisphere crop, but about 10 percent of the world's output comes from south of the equator—primarily Brazil and Australia—and is harvested during the Northern Hemisphere's spring.

<sup>1</sup> Economist in the Market and Trade Economics Division, Economic Research Service, USDA.

The United States is the world's leading cotton exporter, accounting for 25 percent of world trade during the 1990's (fig. A-1). In recent years, six importers have accounted for 40 percent of world trade—the European Union (EU), Indonesia, China, Brazil, South Korea, and Thailand. The United States exports to all these major markets, but only accounts for a small share of imports by the EU and Brazil. These markets are largely served by the leading U.S. competitors from Central Asia, West Africa, and the Southern Hemisphere. The leading markets for the United States are Mexico, Turkey, Japan, and Korea (accounting for about half of U.S. exports).

The United States ranks second in world cotton production, third in world cotton consumption, and third in the size of its ending stocks. Imports by the United States are minimal—less than 1 percent of the world's total on average in recent years—but since 1994 have expanded from a level of virtually zero maintained during the previous two decades.

World cotton trade shrank during the 1990's, as one of the world's largest textile industries—Russia's—collapsed. World consumption stagnated during most of the 1990's as Russia's collapse offset increased consumption by India, Turkey, Mexico, Pakistan, and the United States. World cotton consumption rose sharply in 1999/2000, and another record-high is expected in 2000/01. However, world trade remains close to the average level of the last decade since recent cotton consumption increases have largely occurred in countries producing most of their own cotton.

### ***The Uruguay Round's Impact on Agricultural and Textiles Trade Rules***

The Uruguay Round of Trade Negotiations began in 1986 and culminated with the signing of the Uruguay Round Agreements at Marakesh in 1994. Three of these agreements are of particular importance to cotton: those concerning agriculture, textiles, and dispute settlement.

The Uruguay Round marked the first major effort by the General Agreements on Tariffs and Trade (GATT, the predecessor organization to the WTO) to include trade liberalization in agriculture as a central objective, resulting in the URAA. The URAA required signatories in many cases to cut average tariff levels on all agricultural products by set percentages, reduce the value and volume of subsidized exports, and lower aggregate spending on some domestic support programs for agriculture. A separate agreement also established new disciplines on the use of sanitary and phytosanitary (SPS) measures that could be used to unjustifiably restrict trade based on health and safety concerns.

In textiles, the Uruguay Round's ATC addressed the long-standing divergence of global textile trade from the GATT principles of reciprocity and nondiscrimination that resulted from the application of bilateral quotas under the Multifiber

Arrangement (MFA). The ATC mandates a schedule for the progressive elimination of MFA quota restraints by 2005, and also mandates that non-MFA restrictions not justified under a GATT provision also be phased out by no later than 2005.

The Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU) was also a significant outcome of the Uruguay Round negotiations. The DSU extended greater automaticity to the adoption of dispute panel findings and the Appellate Body's findings. Previously, the consent of the parties to a dispute was necessary for the adoption of a panel's findings, limiting the usefulness of the dispute settlement mechanism for contentious issues.

### ***Uruguay Round Agreement On Agriculture***

Because the main provisions of the URAA are detailed elsewhere (see USDA, 1998), only a general overview of the main accomplishments are given in the section below for market access, export subsidies and domestic support. Trade issues related specifically to the cotton sector are then discussed in more detail.

**Market access**—The URAA required participating countries to reduce “base” period (those in effect in 1986 or 1986-88) tariffs on agricultural products by an average of 36 percent for developed countries and 24 percent for developing nations, and to cap tariffs at a final “bound” level by the end of the implementation period. The minimum tariff cut on each product is 15 percent (10 percent for developing countries). The agreement also required signatories to convert all non-tariff agricultural trade barriers to tariffs. Countries doing so established a two-tiered tariff system (a tariff-rate quota, or TRQ) in which a lower tariff applies to a quota of imports and higher tariffs to imports beyond the quota level (USDA, 1998).

**Export subsidies**—Twenty-five WTO member countries agreed to reduce the volume and value of their subsidized agricultural exports from base period levels. Four countries made specific commitments to reduce subsidized cotton exports. However, none of these countries are significant exporters, the total volume of subsidized cotton permitted each year by the URAA is negligible, and the countries committed to reducing subsidized cotton exports have subsidized exports of virtually no cotton since the signing of the URAA. China subsidized a substantial volume of cotton exports recently, but China is not currently a WTO member and agreed to refrain from further subsidies in the U.S.-China bilateral agreement for China's accession to the WTO.

**Domestic support**—Policies such as price supports and other types of subsidized production have the potential to distort trade flows by reducing imports below levels that would normally occur, or by encouraging the use of export subsidies to

dispose of excess domestic production. The URAA required countries to reduce and cap total outlays, as measured by the Aggregate Measurement of Support (AMS), on certain domestic policies that provide producers with direct incentives to increase production. For developed countries, the AMS is to be reduced from base period (1986-88) amounts by 20 percent over a 6-year (implementation) period.

The EU, the United States, and Japan, have the most substantial domestic support programs of the 29 WTO members that agreed to these limits. Of the \$285 billion spent on agricultural support programs by the 29 countries in 1995, the EU (\$113 billion), Japan (\$70 billion), and the United States (\$61 billion) accounted for about 85 percent. For the EU and Japan, the majority of that spending (50-55 percent) was on “amber box” policies that counted towards their AMS limits, in contrast to only 10 percent for the United States.

The URAA divided support on domestic programs into three categories indicating the relative trade-distorting effects of the policies: 1) “amber box” policies, such as price supports, marketing loans, and loan deficiency payments, which are subject to reduction and final spending limits; 2) “blue box” policies, which are exempt from limits because payments are tied to production limitations by basing payments on fixed area or yield, or on a maximum of 85 percent of base production; and 3) “green box” policies, such as domestic food aid (e.g. food stamps) and de-coupled income support (e.g. U.S. production flexibility contract payments) which are also exempt from limits.

Only amber box policies count towards the AMS limits each country can provide. In addition, support from policies that would otherwise be considered “amber box” are not counted towards the AMS if support for a specific commodity is equal to or less than 5 percent of the value of that commodity’s production in any given year. This is known as the de minimis exemption. The de minimis exemption also applies to noncommodity-specific programs, such as crop insurance, as long as support for all such programs remains below 5 percent of the value of all agricultural production.

### ***Domestic Support in the European Union And the United States***

The world’s largest cotton importer is the EU, which maintains no tariffs or significant non-tariff barriers on cotton imports. However, generous domestic support has driven cotton production in Greece and Spain steadily higher since their accession to the EU in the first half of the 1980’s. From a 1975-79 average of 795,000 bales, EU cotton production soared 227 percent, to reach 2.6 million bales in 1999/2000. Generous support has ensured that cotton has become the major field crop in Greece in terms of planted area and income, and Greece has become one of the world’s largest exporters (mostly to other EU countries and Turkey) (fig. A-1). While the EU has instituted co-responsibility

levies triggered by production ceilings to moderate the impact of its generous guide price, the EU notified the WTO of payments totaling 809 million ECU in 1997/98—an amount comparable with the entire value of the crop.

In the United States, beginning in 1996, deficiency payments to cotton were replaced by de-coupled income support payments (production flexibility contracts, PFC), and both of these payments are exempt from reduction. Amber box support to cotton includes the U.S. User Marketing Certificate Program (Step 2 of the Marketing Loan Program for Upland Cotton—for details on Step 2, see MacDonald and Meyer, 1999), nonrecourse marketing loans, and loan deficiency payments. Until 1997/98, support to cotton was below the de minimis threshold and not included in the total AMS. Step 2 payments totaled \$416 million during 1997/98, accounting for most of cotton’s product-specific contribution to the \$6.24 billion U.S. AMS during 1997. In 1998 and 1999, payments under the nonrecourse loan program and loan deficiency payments have increased, surpassing 5 percent of the value of U.S. production, as did Step 2 payments. In addition, due to falling farm incomes and weather-related disasters, the U.S. Congress provided supplemental emergency assistance (AMTA) payments to recipients of PFC payments in both 1998 and 1999, but no decision has been made on how the supplemental payments will be notified to the WTO (Dohlman and Hoffman, 2000). However, the United States is still in compliance with its commitments on domestic support.

Domestic support programs affecting cotton are also in place in China, Turkey, Egypt, Brazil, and Mexico (Valderrama, 1999). However, according to the International Cotton Advisory Committee, except China, the level of assistance these countries provide to cotton producers is low. The level of domestic support to agriculture provided by developed countries is a concern of many developing countries. For example, during the 59th Plenary Meeting of the International Cotton Advisory Committee in November 2000, delegates from several countries raised this issue.

### ***Market Access and Cotton Importers***

Traditionally, much of the world’s cotton imports have been by countries lacking the natural resource endowments necessary to grow cotton. Accordingly, the most commonly applied tariff level is 0 percent. A global import-weighted average of applied tariffs reported by UNCTAD is only 2.2 percent. Similarly, with little in the way of non-tariff barriers to cotton by major importers before the URAA, there have been few instances of tariff-rate quota creation since the signing of the URAA. The U.S. quantitative restrictions on imports were converted to a TRQ now totaling 351,000 bales, and South Africa and Colombia also implemented TRQ’s.

However, with respect to bound tariffs, an UNCTAD/WTO study indicated the highest and most frequent bound tariff

peaks occur in sugar, tobacco, cotton, and prepared fruits and vegetables. Generally, cotton-producing countries have higher than average tariffs and account for most of the high-bound tariffs. For example, Brazil's most favored nation (MFN) average applied tariff is 8 percent, with a bound rate of 55 percent. Pakistan's applied rate is 15 percent and its bound rate is 100 percent. An export-weighted average of applied tariffs outside the United States is 7.7 percent.

As cotton-producing countries account for a larger share of world consumption, their role as importers has also increased, and the predisposition of cotton-producing countries to develop trade policies that favor domestic cotton producers becomes more important. For example, Brazil was among the world's top 10 exporters as recently as 1990, but has been one of the world's largest importers since 1992. Similarly, Turkey was the world's second largest importer in 1999/2000, and its sixth largest producer. Brazil's tariff applied to U.S. cotton went from 0 percent to its current level of 8 percent following Brazil's MEROSUR accession, and Turkey briefly imposed a 25-percent import tariff during 1999 in an effort to support its domestic cotton industry. Thus, while the market access provisions of the URAA had little immediate effect on world cotton trade, the assurance of openness and transparency in agricultural trade is likely to be increasingly beneficial to cotton exporters like the United States.

### ***China's Reforms and WTO Accession***

China was the world's largest importer during the mid-1990s, and in addition to market access, its accession to the WTO would involve every major trade issue of importance to cotton. China is the world's largest producer and consumer of cotton, and is believed to hold 30 percent of world ending stocks. It was the only significant exporter of subsidized cotton in recent years, would have the largest cotton TRQ upon accession to the WTO, and is the world's largest exporter of textiles and clothing. The terms and timing of its accession to the WTO could have a significant impact on world cotton trade, as indeed its unilateral policy shifts already have.

China's cotton production fluctuated substantially during the 1990's, as the adjustment of government-set purchasing prices failed to keep pace with changes in agriculture and the economy. China's imports, ending stocks, and exports ebbed and flowed as China's policymakers lowered and raised procurement prices, opened and closed import quotas, and offered and withdrew export subsidies. At times, China was the world's largest importer (1994/95-96/97), but in 1998/99 it was the world's fourth largest exporter. During 1999/2000, China finally extended to its cotton producers the right to sell cotton to state-approved buyers other than its domestic procurement agency—the Cotton and Jute Bureau—and withdrew from attempting to fix domestic cotton prices. These changes came more than a decade after

similar reforms for grains and oilseeds, and the impact of these changes on China's cotton sector remains unclear.

China's trade policy evolved during the 1990's from a complete reliance on an STE—Chinatex—to an extension of import and export rights to some local cotton bureaus, state farms, and state-owned and joint-venture textile enterprises. However, Chinatex remains an important player in China's cotton trade, most of the other entities permitted to trade are state-owned, and trade remains strictly regulated by quotas. During 1998 and 1999, exports from China's main producing region—Xinjiang-Uighur Autonomous Region—were subsidized, and only a small import quota was permitted during 2000.

The draft protocol package that would be the basis for WTO members' decision on whether to admit China to the WTO remains under negotiation. Under terms of the U.S.-China bilateral agreement, which will be incorporated into the final WTO, accession protocol, China has committed to eliminate nontariff barriers on agricultural imports upon its accession to the WTO and it has agreed to implement a series of tariff cuts between 2000 and 2004. In addition, China committed to establish tariff-rate quotas for wheat, rice, corn, cotton, and soybean oil, with gradually increasing quota levels, mostly over the same period.

China committed to a tariff-rate quota of 743,000 tons for cotton in 2000, increasing to 894,000 in 2004. The within-quota import duty would be 1 percent, and the over-quota duty would decline from 69 percent in 2000 to 40 percent by 2004. Nonstate trade companies with the right to trade would be allocated 67 percent of each year's quota. Use of export subsidies for farm products will end and trade-distorting domestic subsidies will be capped and reduced (Colby, et al, 2000).

### ***Developing Countries' Textile Trade Policies and the ATC***

China's accession to the WTO will have a significant impact on world textile trade. While the specifics of this impact are beyond the scope of this report (see USITC, 1999), WTO accession will require China to reduce import barriers to textiles and apparel as well as help ensure its access to export markets. While the use of quotas under the MFA by developed countries has been a concern of developing countries, many developing countries have also maintained significant non-tariff barriers against these imports. In some cases they have also supported their local industries by regulating exports of locally produced cotton. Although export prohibitions on products other than foodstuffs are not addressed by the URAA, they are a form of assistance to developing country textile industries, and could be an issue in a future trade round.

India and Pakistan (which are among the world's top four cotton producers and consumers) traditionally regulated raw cotton exports to ensure preferential prices for their domestic textile industries. During the 1990's both countries largely dismantled their STE's, and following completion of the Uruguay Round negotiations, Pakistan agreed to end its minimum export price system and adhere to free trade in the export of raw cotton. However, Pakistan has periodically announced policies inconsistent with free trade, and reintroduced an STE during 1999/2000. India continues to impose raw cotton export quotas—although these quotas are not believed to be constraining—and imposed phytosanitary barriers to cotton imports from Pakistan during 1999/2000. While the Cotton Corporation of India Ltd. (CCI) has lost its monopoly role, it remains a significant cotton trading organization (Guitchounts, 1998).

The ATC requires reciprocity in market access for textiles, and achieving that reciprocity is considered vital by the textile industries of countries like the United States, which are reducing their textile and apparel protection under the ATC. India's long-standing reliance on the GATT balance-of-payments provision to justify virtually prohibitive non-tariff barriers to textile imports is expected to end by 2001. India committed to remove many yarn, fabric, and apparel imports from its restricted licensing list as a result of a U.S.-India Market Access Agreement for Textiles and Clothing in 1995. A 1999 U.S.-India agreement to lift quantitative restrictions on imports of over 1,429 products—including textiles—came after India lost its appeal of a dispute panel ruling against its use of the balance-of-payments provision to justify import restrictions, reflecting the importance of the WTO's new dispute settlement mechanisms.

### ***Multi-Fiber Arrangement Quotas End in 2004***

International trade in textiles and apparel has been governed by quantitative restrictions under the Multi-Fiber Arrangement (MFA) and earlier agreements for more than 30 years. One of the major results of the Uruguay Round was the conclusion of the Agreement on Textiles and Clothing (ATC), which provides for the dismantling of these restrictions. Under the ATC, the MFA restrictions are to be phased out over a 10-year period ending in 2004.

The ATC provides the legal framework leading to a complete integration of this sector into the GATT at the end of the transition period. The MFA phaseout is comprised of two parts: a four-stage process eliminating import restraints contained in bilateral agreements previously negotiated on products covered under the MFA, and an increase in quota growth rates for products still under restriction during the transition period. The ATC also deals with other non-MFA restraint measures relating to textiles and clothing. With the elimination of the MFA quotas and other restrictions, tariffs will become the primary mechanism for border protection, as

the same rules will apply to trade in textiles and clothing as to trade in other goods. In the long run, the restraint reductions will effectively improve market access for developing countries' textile and clothing products in developed countries. And at the same time, developed countries are already achieving the reciprocal access to developing countries' textile and apparel markets that was lacking before the ATC.

Estimates of the impact of the ATC have varied widely. It is generally accepted that more clothing will be produced in developing countries and less in developed countries like the United States once the MFA quotas are terminated. However, the magnitude of the change and the distribution of the gains among developing countries varies between studies (Whalley, 1999). During the 1990's, the United States and Western Europe increasingly sourced their clothing imports from nearby regions rather than traditional Asian sources—from Mexico and the Caribbean Basin for the United States, and Eastern Europe and the Mediterranean for Western Europe. While this development in part represents preferential access granted to these regional clothing exporters under regional trade agreements such as NAFTA, it also represents the impact of structural change in apparel marketing and distribution.

Timeliness is of greater importance in the apparel industry than ever before due to improvements in computing, communication, and transportation. Tighter inventory management and electronic collection and analysis of sales data by retailers have reduced order lag-times and increased the frequency of adjustment in styles and colors necessary to satisfy retailers. This places regional clothing producers at an advantage relative to distant Asian exporters, and the end of quota protection will not eliminate this advantage.

India's WTO dispute about import restraints illustrates one aspect of likely concerns about evolving textile trade rules in coming years—the assurance that developing countries will reduce the widespread trade barriers protecting their industries as the developed countries end the MFA quotas protecting theirs (ATMI, 2000). On the other hand, developing countries have expressed concern with how developed countries have chosen to meet their commitments under the ATC, and how developed countries will respond to the new trade environment after 2004. Furthermore, even after textile and clothing trade is integrated into the WTO framework, tariff protection for the sector around the world remains well above the average for manufactured products.

### ***Exporter Policies and State-Trading***

India and Pakistan have significantly reduced their government role in cotton trading, and have become frequent net importers rather than exporters in recent years. However, several other traditional exporters maintain policies that may be relevant to future WTO negotiations.

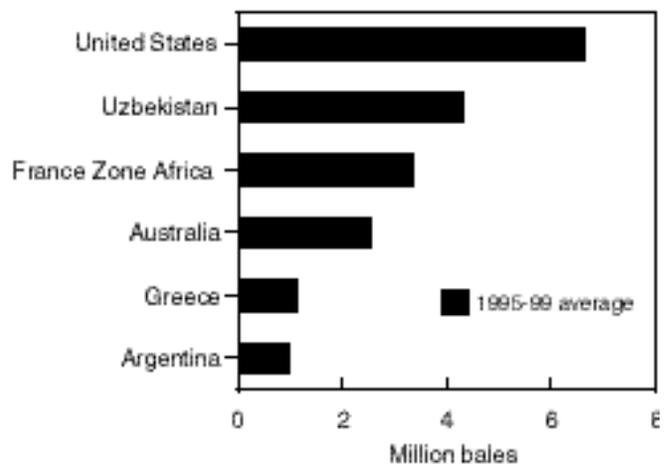
Virtually no country currently subsidizes cotton exports, and only a handful of countries have export subsidy reduction obligations under the URAA (Brazil, Colombia, Israel, and South Africa). None of these countries have notified the WTO of any use of cotton export subsidies since 1995. However, the domestic policies of several major exporters—particularly with respect to STEs—may be relevant to WTO negotiations in future years. STEs can affect trade by influencing domestic and international prices in ways similar to the use of import tariffs and export subsidies (Ackerman and Dixit, 1999). Negotiations in this area could be important for the U.S. cotton industry since STEs play prominent roles in the cotton industries of the United States' leading export competitors, particularly in Central Asia and West Africa. (With the exception of Chinatex, STEs play little role in importing cotton.)

The world's largest exporter of cotton after the United States is Uzbekistan, which supplies about 16 percent of the cotton traded internationally (fig. A-1). Uzbekistan's cotton output peaked a few years before it achieved independence in 1991. Since then, the impact of decades of environmental damage, a desire to increase self-sufficiency in grains, and the economic collapse of Russia—once Uzbekistan's leading customer—have helped bring about a 40-percent decline in Uzbekistan's production and exports of cotton (Isengildina, et al, 1998).

Uzagroimpex, Uzbekistan's STE for cotton, is the fourth largest cotton-trading organization in the world, according to estimates by the International Cotton Advisory Committee. It ranks just ahead of the Plains Cotton Cooperative Association in the United States, but behind the three largest U.S.-based private cotton merchants (Guitchounts, 1998). Economic reforms in Uzbekistan have not reached the point where cotton farmers have a viable alternative to selling their output to enterprises largely controlled by the state. Most cotton farms are also state-owned, and, although production is subsidized through nearly free irrigation water, subsidized lending, and inputs imported at preferential exchange rates, other policies such as state marketing orders more than offset these subsidies. The net impact of government policies in Uzbekistan is a taxation of agriculture that the World Bank estimated equaled 4.5 percent of gross domestic product (GDP) in 1998.

According to the International Monetary Fund, the government is using an overvalued exchange rate, government-set prices, and delayed payments to farmers to transfer resources from cotton producers to the textile industry (IMF, 1999). Turkmenistan, the second largest cotton producer in Central Asia, also retains significant vestiges of centralized planning for cotton and the rest of its economy, with virtually all cotton sold under state order. Neither country is a WTO member, with Uzbekistan's accession talks at a preliminary stage and Turkmenistan yet to apply for membership.

Figure A-1  
Leading world cotton exporters



Source: Economic Research Service, USDA.

Collectively, exports by the West African Francophone cotton producers nearly equal those of Uzbekistan (fig. A-1). Before their independence, these countries' cotton was marketed through France's parastatal Compagnie Francaise pour le Development des Fibres Textiles (CFDT). After independence, CFDT's role was replaced by local African parastatals, with CFDT maintaining an equity interest in these companies, and much of the cotton continues to be marketed through COPACO (Compagnie Cotonniere, a private firm affiliated with CFDT). Until recently, each local parastatal supplied local farmer associations with inputs, and purchased, transported, ginned, and marketed the entire crop. Since these parastatals had a legal monopoly on cotton purchasing within their respective countries, and marketed their cotton internationally, they appear to meet the definition of a STE in the WTO Understanding on the Interpretation of Article XVII of the General Agreement on Tariffs and Trade 1994. However, none of the major West African cotton-exporting WTO members have notified the WTO regarding whether or not they maintain any STEs.

Financial difficulties by several parastatals during the early 1990's and recent efforts by the World Bank to increase private sector participation in cotton marketing have resulted in some changes in the last few years. The establishment of private ginning companies has been permitted in some countries, and Cote d'Ivoire's la Compagnie Ivoirienne pour la Development des Textiles (CIDT) was split into three companies in 1998. However, Cote d'Ivoire's Government retains control of one company, and privatization is still at the planning stage in Mali, the region's largest producer (Levin, 2000).

While the role of West African parastatals is prominent within their respective countries, none of them ranks among

the world's largest cotton-trading organizations. The fourth largest government cotton-trading organization—after Uzagroimpex, Chinatex and India's CCI—is Syria's Cotton Marketing Organization (CMO). These four were the only STEs ranking among the world's 20 largest cotton trading organizations. According to the ICAC, CCI ranked 15th, and the CMO ranked 16th among world cotton-trading organizations in 1998.

## Conclusion

The future of U.S. cotton exports will depend on, 1) consumption gains in markets relying largely on imported cotton, like Mexico and Southeast Asia, and 2) the degree that cotton producers like China, Turkey, and Brazil rely on imports rather than domestic production to meet the growing needs of their textile industries. The impending reform of world textile trade by the WTO's 2004 deadline will put pressure on textile industries in developed countries, but will improve the outlook for consumption by developing countries. The application of current textile trade rules and the development of future policies is of interest to both developed and developing countries, and could affect the location of textile production and cotton demand. The growing import role of cotton producers suggests that cotton trade will increasingly benefit from the discipline that multilateral negotiations bring to global market access. China's accession would bring the market access policies of an important frequent importer under WTO discipline, and would affect the role of one of the world's largest STEs trading cotton. While the role of STEs in global cotton trade has declined in recent years, they remain important for the largest U.S. export competitors.

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